

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS KINGSTON 001137

SIPDIS

STATE FOR WHA/CAR (BENT), EB/TRD (MATTINGLEY)

E.O. 12958: N/A

TAGS: [ECON JM](#)

SUBJECT: JAMAICAN ECONOMY - FIRST QUARTER 2005 - CONFIDENCE
IS HIGH

1. The Jamaica Chamber of Commerce, in conjunction with USAID and the Survey Research Center at the University of Michigan, has been conducting surveys of both business and consumer confidence levels in Jamaica since 2001. Professor Richard Curtin of the University of Michigan announced his findings for the First Quarter of 2005 on April 5. His primary finding was that business confidence was at the highest recorded level in the history of the survey, and that consumer confidence, while down slightly from the Fourth Quarter of 2004, was still much higher than the First Quarter of 2004. Though Curtin cautioned that the study could not account for unforeseen economic shocks, such as spiraling gas prices, labor troubles, inflation, or interest rate increases, he concluded that both businesses and consumers expect Jamaica's economic recovery to continue through 2005.

2. Curtin reported that the surge in business confidence is broad based, with 28 percent reporting greater than expected profits and 65 percent planning to invest in expansion in the coming year. Based on the announcement of new investments in tourism and mining, the expectation of a stabilization in the Jamaican dollar, as well as the completion of a new Memorandum of Understanding between the GOJ and leading labor unions, 35 percent of businesses expect better economic conditions in the year ahead. Of those businesses maintaining negative outlooks, nine in ten firms identified crime as the number one problem restricting growth.

3. Curtin stated that there had been a small pullback in consumer confidence, due to conflicting signals in current economic conditions. Consumers in Kingston and those involved in the tourism industry have maintained high confidence levels, but consumers outside of Kingston in other industries have lost confidence. Curtin identified unemployment as the primary cause of the confidence loss, stating that Jamaica's economic recovery to this point had largely been jobless - increasing income in exchange for increased productivity without creating many new employment opportunities. Curtin stated that the cause of this unemployment problem was a lack of skills and training among the unemployed, leaving them capable of competing for only menial, unskilled employment, while jobs requiring professional skills go unfilled. As a result of high unemployment, 45 percent of the consumers surveyed expected the economy to worsen, up from 39 percent in the Fourth Quarter of 2004. This uncertainty has caused consumers to be cautious in developing their spending plans, even though they tentatively expect higher income levels.

4. Comment. The responses from businesses indicate that the country's economic structure and investment climate are, if not perfect, at least better than at any time since the surveys began in 2001, and Jamaican entrepreneurs appear to have confidence in the moves their government has made to attract investment and head off industrial actions by labor. The consumer figures, however, appear to indicate a developing problem in demographics. Those Jamaicans with skills in high demand are emigrating to the UK, Canada and the U.S. in large numbers, and supporting their families with remittances. This increases the percentage of the unskilled and unemployable remaining in the country. In the immediate sense, this is a problem for consumer confidence, since the island's unemployed, with no marketable skills, often see no chance of ever getting a job. In the long term, however, the limited size of the skilled labor pool in Jamaica may seriously limit the ability of the business sector to grow.
End Comment.
TIGHE